

The sale of a prescription discount card is the sale of an intangible and is not subject to tax. See 86 Ill. Adm. Code 130.101. (This is a GIL.)

August 10, 2006

Dear Xxxxx:

This letter is in response to your letter dated April 19, 2006, in which you request information. The Department issues two types of letter rulings. Private Letter Rulings ("PLRs") are issued by the Department in response to specific taxpayer inquiries concerning the application of a tax statute or rule to a particular fact situation. A PLR is binding on the Department, but only as to the taxpayer who is the subject of the request for ruling and only to the extent the facts recited in the PLR are correct and complete. Persons seeking PLRs must comply with the procedures for PLRs found in the Department's regulations at 2 Ill. Adm. Code 1200.110. The purpose of a General Information Letter ("GIL") is to direct taxpayers to Department regulations or other sources of information regarding the topic about which they have inquired. A GIL is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120. You may access our website at www.ILTAX.com to review regulations, letter rulings and other types of information relevant to your inquiry.

The nature of your inquiry and the information you have provided require that we respond with a GIL. In your letter you have stated and made inquiry as follows:

ABC and subsidiaries is investigating the Sales and Use tax treatment of a retail transaction that will have a taxable situs in your state.

We hereby request a ruling to clarify the application of your state sales and use law with respect to the transactions described below.

Transaction Background:

The ABC Card program offers a prescription discount card to be used only in ABC stores. There will be an initial and annual fee/due for the card that will be based on heads of household or a family (spouse and/or dependent children). The ABC Card will benefit people with no prescription insurance.

Is the initial and annual fee/due sales taxable?

We respectively request your review of the facts presented and situations described above. Also we would appreciate you furnishing is [sic] authority for your response (statute, regulation, rulings, opinions, etc.). We certainly appreciate your assistance in this matter. If you have any questions or need any additional information please call me. The response should be mailed to the undersigned at:

NAME/ADDRESS

DEPARTMENT'S RESPONSE

The sale of a discount card is not considered a sale of tangible personal property. The sale of such a card represents the sale of an intangible. Since the Illinois sales tax laws are based upon the transfer of tangible personal property, no sales tax liability attaches to the sale of a discount card. See 86 Ill. Adm. Code 130.101. For information regarding the tax liabilities of pharmacists when the discount cards are used by the cardholders, please see Section 130.2125 of the Department's regulations, entitled "Trading Stamps and Discount Coupons." The regulations can be found on our website under "Legal Research", "Regulations."

If you require additional information, please visit our website at www.ILTAX.com or contact the Department's Taxpayer Information Division at (217) 782-3336. If you are not under audit and you wish to obtain a binding PLR regarding your factual situation, please submit a request conforming to the requirements of 2 Ill. Adm. Code 1200.110 (b).

Very truly yours,

Martha P. Mote
Associate Counsel

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